

A Joint Stock Company with Registered Office In San Donato Milanese, Italy Full paid-up Share Capital Euro 441,410,900 Fiscal Code and Milan Companies' Register No. 00825790157 Switchboard +39-025201 Fax +39-0252054295 www.saipem.eni.it

### Saipem: the Board of Directors approves third quarter results to 30 September 2006

- Net profit for the third quarter of 2006, inclusive of the effects of the acquisition of Snamprogetti (12 million euro), amounted to 104 million euro, a 65% increase compared to the third quarter 2005.
- Net profit for the first nine months of 2006, inclusive of the effects of the acquisition of Snamprogetti (22 million euro), amounted to 266 million euro, a 56% increase compared to the first nine months of 2005.
- New contracts won during the first nine months of 2006 amounted to 8,417 million euro and the backlog at 30 September 2006 stood at 12,804 million euro.
- Investments in the first nine months of 2006 amounted to 416 million euro.

San Donato Milanese, 7 November 2006. Today, the Board of Directors of Saipem S.p.A. reviewed the Saipem Group consolidated third quarter results for the three months ending 30 September 2006 (unaudited), which have been prepared in compliance with the new International Financial Reporting Standards (IFRS). Third quarter results include the effects of the consolidation of Snamprogetti from 1 April 2006, the date of Saipem's acquisition of control.

						(r	million euro
Q3 2005	Q2 2006	Q3 2006	Q3 06 vs. Q3 05		First nine months 2005	First nine months 2006	Sept. 06 vs. Sept. 05
				Including Snamprogetti			
n.a.	2,052	2,163	n.a.	Revenues	n.a.	5,258	n.a.
n.a.	151	162	n.a.	Operating profit	n.a.	406	n.a.
n.a.	96	104	n.a.	Net profit	n.a.	266	n.a.
n.a.	151	165	n.a.	Cash flow (net profit plus depreciation)	n.a.	430	n.a.
n.a.	133	185	n.a.	Investments	n.a.	416	n.a.
n.a.	4,657	2,635	n.a.	New contracts	n.a.	8,417	n.a.
				Excluding Snamprogetti			
1,081	1,331	1,388	28.4	Revenues	3,200	3,762	17.6
89	126	137	53.9	Operating profit	243	356	46.5
63	86	92	46.0	Net profit	171	244	42.7
115	135	148	28.7	Cash flow (net profit plus depreciation)	317	397	25.2
99	129	179	80.8	Investments	236	406	72.0
1,080	2,832	1,732	60.4	New contracts	3,322	5,689	71.3

As previously stated, revenues and associated profit levels, particularly in the Offshore and Onshore sectors, and, to a lesser extent, in the Drilling sector, are not consistent over time, as they are influenced not only by market performance but also by climatic conditions and individual project schedules. Consequently, the results from any one particular fiscal period can vary significantly, thereby precluding a direct comparison with the same period in other fiscal years or extrapolation of figures from a single quarter to the entire year.

Investments in the third quarter of 2006 amounted to 185 million euro (compared to 99 million in the third quarter of 2005) and consisted mainly of the following: maintenance and upgrading of the existing asset base (47 million euro); investments in vessels and equipment for specific projects, mainly Kashagan (42 million euro); capex to strengthen the operating bases/yards in Kazakhstan and West Africa (17 million euro); conversion of a tanker into an FPSO unit, due to operate on Petrobras' Golfinho 2 field in Brazilian waters (73 million euro); and investments carried out by Snamprogetti (6 million euro). Investments in the first nine months of 2006 amounted to 416 million euro (compared to 236 million in the same period of 2005) and consisted mainly of the following: maintenance and upgrading of the existing asset base (109 million euro); investments in vessels and equipment for specific projects, mainly Kashagan (86 million euro); capex to strengthen the operating bases/yards in Kazakhstan and West Africa (47 million euro); conversion of a tanker into an FPSO unit, due to operate on Petrobras' Golfinho 2 field in Brazilian waters (164 million euro); and investments carried out by Snamprogetti in the second and third quarter of 2006 (10 million euro).

**Net financial debt** at 30 September 2006 amounted to 1,637 million euro, representing an increase of 625 million euro from 31 December 2005, mainly due to the acquisition of Snamprogetti and the distribution of dividends. From 30 June 2006, when the financial position already showed the effects of the acquisition of Snamprogetti and the distribution of dividends, net debt increased by 105 million euro due to the continuation of the investment programme and to an increase in working capital.

#### New contracts and backlog

During the third quarter of 2006, Saipem stand-alone was awarded contracts amounting to 1,732 million euro (compared to 1,080 million euro in the third quarter of 2005); during the same period, Snamprogetti won contracts amounting to 903 million euro.

The most significant orders awarded in the third quarter include: Offshore:

- on behalf of Sonangol P&P, the contract for the provision and operation of an FPSO unit for the development of the Gimboa field, located in Block 4/05 offshore Angola, at a water depth of 700 metres;
- on behalf of Burullus Gas Company, an EPIC-type contract for the Phase IV Phase IV development of the West Delta Deep Concession, in Egypt, comprising the design, engineering, procurement, construction, installation and commissioning of subsea systems for eight new wells and the expansion of the production system for the Scarab/Saffron and Simiam fields;
- on behalf of Companhia Mexilhao do Brasil, the Mexilhao contract in Brazil, comprising the transport and installation of a jacket, piles and topsides for the PMXL-1 platform, as part of the development of the Mexilhao field, in the Santos basin, approximately 140 km offshore the State of San Paolo;

#### Onshore:

 on behalf of Saudi Aramco, an EPC-type contract for the realisation of the gas-oil separation plant (GOSP), as part of the programme for the development of the

- Khurais oil field in Saudi Arabia, approximately 180 km north-east of Riyadh. The contract comprises the engineering, procurement and construction of four gas-oil separation trains, in addition to a number of production infrastructure facilities;
- on behalf of Perù Lng, the Melchiorita Lng project in Peru, comprising the construction of a regassification terminal at Pampa Melchiorita, 200 km south of di Lima; the contract was acquired in joint-venture with Constructora Norberto Odebrecht and in consortium with Jan de Nul NV;

#### Offshore Drilling:

- on behalf of Eni Exploration & Production, the three-year charter of the drillship Saipem 10000 in various geographical areas, starting from the third quarter of 2009;
- on behalf of Exxon Mobil, the 16-month extension, following the exercise of an option, of the charter for the semi-submersible platform Scarabeo 7 in Nigeria;

#### Onshore Drilling:

- on behalf of PDVSA, the charter of a rig in Venezuela for five years;
- on behalf of PDVSA, the charter of four rigs in Venezuela: two rigs have been chartered for five years, one for one year, and one for four months;
- on behalf of Zhaikmunai, the charter of two rigs in Kazakhstan for thirty-one and thirty-six months respectively;
- on behalf of Saudi Aramco, the charter of a rig in Saudi Arabia for three years;
- on behalf of Groupement Sonatrach Agip, the charter of a rig in Algeria for two years;
- on behalf of Repsol YPF, the -year charter of two rigs in Algeria for one year;
- on behalf of First Calgary, the charter of a rig in Algeria for two years.

New contracts awarded to the Saipem Group during the first nine months of 2006, inclusive of contracts won by Snamprogetti in the second and third quarter, amounted to 8,417 million euro.

The backlog of the Saipem Group as at 30 September 2006 stands at a record level of 12,804 million euro.

#### **Management outlook**

Results achieved in the first nine months of the year and the backlog of projects in execution this year underpin management's expectations for Saipem stand-alone to increase revenue growth in 2006, further improving on the 15% net profit target increase set at the beginning of the year. Snamprogetti, acquired at the end of March, is expected to achieve total revenues, for the nine-month period of consolidation, of at least 2,300 million euro, and net profit of approximately 45 million euro. The resulting positive effect on Saipem's net profit, net of financial charges deriving from the acquisition and taking into account actual and forecast cost synergies (both at Saipem and Snamprogetti), is forecast at approximately 34 million euro.

The strong overall market performance and Saipem's track record and competitiveness underpin management's expectations of new contract awards, so as to maintain the exceptionally high level of backlog achieved at the end of September.

Capital expenditure for 2006 is expected to increase to 670 million euro versus 600 million euro as previously reported; this is due to the commencement of works on a new FPSO unit and a new deep-water semi-submersible drilling vessel, following the recent award of new contracts.

Forward-looking statements are based on a number of assumptions and expectations that could ultimately prove inaccurate, as they are subject to risks and variables outside the company's control. These include: currency fluctuations, interest rate fluctuations, the level of capital expenditure in the oil and gas industry, as well as other industries, political instability in areas where the Group operates, and actions by competitors. Moreover, contract execution is also subject to variables outside the company's control, such as weather conditions. Actual results could therefore differ materially from the forward-looking statements.

#### Contact details

Website: www.saipem.eni.it Switchboard: +39-025201 Shareholder Information:

Saipem S.p.A., Via Martiri di Cefalonia, 67 - 20097 San Donato Milanese (MI), Italy

#### Relations with institutional investors and financial analysts:

**Tel**.: +39-02520.34653 **Fax**: +39-02520.54295

E-mail: investor.relations@saipem.eni.it

The Third Quarter Report at 30 September 2006 can be downloaded from Saipem's website www.saipem.eni.it

#### Analysis by business sector

#### Offshore (\*):

	. ,					(r	million euro)
Q3 2005	Q2 2006	Q3 2006	Q3 06 vs. Q3 05		First nine months 2005	First nine months 2006	Sept. 06 vs. Sept. 05
652	845	875	34.2	Revenues	1,992	2,313	16.1
(569)	(743)	(760)	33.6	Expenses	(1,763)	(2,025)	14.9
(23)	(21)	(31)	34.8	Depreciation and amortisation	(72)	(74)	2.8
60	81	84	40.0	Operating profit	157	214	36.3
834	1,479	1,046	25.4	New orders awarded	2,442	2,860	17.1

<sup>(\*)</sup> the Offshore Business Unit includes the former Offshore Construction, Leased FPSO and the offshore part of MMO. Figures for the corresponding periods 2005 have now been reclassified accordingly. Data for the Offshore Business Unit have not been affected by the acquisition of Snamprogetti.

The backlog as at 30 September 2006 amounted to 4,268 million euro, of which 645 million are to be realised in the fourth quarter of 2006.

- Revenues for the third quarter of 2006 amounted to 875 million euro, representing a 34% increase compared to the same period of 2005; revenues for the first nine months of 2006 amounted to 2,313 million euro, up 16% compared to the same period of 2005; both increases are mainly due to higher levels of activity in Kazakhstan and Azerbaijan.
- Operating profit for the third quarter of 2006 amounted to 84 million euro, a 40% increase compared to the same period of 2005; operating profit for the first nine months of 2006 was 214 million euro, up 36% compared to the same period of 2005. Operating profit as a percentage of revenues was 9.6% in the third quarter of 2006 (9.2% in the same period of 2005) and 9.3% in the first nine months of 2006 (7.9% in the same period of 2005). This increase in margin is attributable to improved contract conditions and strong operational performance.

						million euro
Saipem stand-alone Q3 2005	Saipem stand-alone Q2 2006	Saipem stand-alone Q3 2006	Q3 06 vs. Q3 05		Snamprogetti Q3 2006	Consolidated Q3 2006
304 (281)	339 (312)	353 (328)	16.1 16.7	1	775 (747)	1,128 (1,075)
(11) 12	(10) 17	(7) 18		Depreciation and amortisation Operating profit	(5) 23	(12) 41
Saipem stand-alone first nine months 2005	Saipem stand-alone first nine months 2006	120 Sept. 2006 vs. Sept. 2005	(19.5)	New orders awarded	903 Snamprogetti Q2 & Q3 2006	1,023 Consolidated first nine months 2006
850 (789) (26) 35	998 (921) (26) 51	17.4 16.7 – 45.7		Revenues Expenses Depreciation and amortisation Operating profit	1,496 (1,438) (11) (**) 47	2,494 (2,359) (37) 98
565	1,264	123.7		New orders awarded	2,728	3,992

<sup>(\*)</sup> the Onshore Business Unit includes the former Onshore Construction, LNG and the onshore part of MMO. Figures for the corresponding periods 2005 have now been reclassified accordingly. Data for the Onshore Business Unit have been affected by the acquisition of Snamprogetti, whose income statement has been consolidated from 1 April 2006.

The backlog as at 30 September 2006 amounted to 6,742 million euro (inclusive of Snamprogetti), of which 1,225 million are to be realised in the fourth quarter of 2006.

#### Saipem stand-alone

- Revenues in the third quarter of 2006 amounted to 353 million euro, representing a 16% increase on the third quarter of 2005; revenues for the first nine months of 2006 amounted to 998 million euro, up 17% compared to the same period of 2005; both increases are mainly due to the achievement of full-scale operations on projects in Mexico and Canada.
- Operating profit in the third quarter of 2006 amounted to 18 million euro, representing a 50% increase on the third quarter of 2005; operating profit for the first nine months of 2006 amounted to 51 million euro, up 46% compared to the same period of 2005. Operating profit as a percentage of revenues was 5.1% in the third quarter of 2006 (3.9% in the same period of 2005) and 5.1% in the first nine months of 2006 (4.1% in the same period of 2005). This increase in margin is attributable to high operational efficiency and improved contractual rates.

#### Snamprogetti

Revenues generated by Snamprogetti during the third quarter of 2006 amounted to 775 million euro and are largely related to projects under execution in the Middle East and Italy. Operating profit totalled 23 million euro, with a margin on revenues of 3%. Revenues for the second and third quarter of 2006 amounted to 1,496 million euro, while operating profit amounted to 47 million euro, with a margin on revenues of 3.1%.

<sup>(\*\*)</sup> net of the application of the loss indemnity provision agreed with Eni as part of the Snamprogetti purchase agreement, equal to 58 million euro.

#### Offshore Drilling:

						(r	<u>million euro</u> )
Q3 2005	Q2 2006	Q3 2006	Q3 06 vs. Q3 05		First nine months 2005	First nine months 2006	Sept. 06 vs. Sept. 05
73	85	92	26.0	Revenues	213	265	24.4
(49)	(50)	(51)		Expenses	(142)	(154)	8.5
(12)	(13)	(13)	8.3	Depreciation and amortisation	(34)	(39)	14.7
12	22	28	133.3	Operating profit	37	72	94.6
47	818	341	625.5	New orders awarded	186	1,264	579.6

The backlog as at 30 September 2006 amounted to 1,381 million euro, of which 92 million are due to be realised in the fourth quarter of 2006.

- Revenues in the third quarter of 2006 amounted to 92 million euro, representing a 26% increase on the third quarter of 2005; revenues in the first nine months of 2006 amounted to 265 million euro, up 24% compared to the same period of 2005; both increases are mainly attributable to increased activity of the drillship Saipem 10000 and the jack-up Perro Negro 5, as well as to higher contractual rates.
- Operating profit in the third quarter of 2006 amounted to 28 million euro, a 133% increase compared to the same period 2005; operating profit for the first nine months of 2006 amounted to 72 million euro, up 95% compared to the first nine months of 2005. Operating profit as a percentage of revenues was 30% in the third quarter of 2006 (16% in the same period of 2005) and 27% in the first nine months of 2006 (17% in the same period of 2005). This growth both in absolute terms and in terms of profitability is due to higher margins on rates and increased utilisation of rigs.
- Vessel utilisation during the first nine months of 2006 was as follows:

Vessel	Days under contr	act
Semi-submersible platform Scarabeo 3	273	
Semi-submersible platform Scarabeo 4	273	
Semi-submersible platform Scarabeo 5	258	а
Semi-submersible platform Scarabeo 6	254	а
Semi-submersible platform Scarabeo 7	266	а
Drillship Saipem 10000	273	
Jack-up Perro Negro 2	273	
Jack-up Perro Negro 3	273	
Jack-up Perro Negro 4	-	b
Jack-up Perro Negro 5	273	

a = for the remaining days (to 273), the vessel underwent class reinstatement works.

**b** = the vessel underwent upgrading works in preparation for a new contract.

#### **Onshore Drilling:**

						(r	million euro)
Q3 2005	Q2 2006	Q3 2006	Q3 06 vs. Q3 05		First nine months 2005	First nine months 2006	Sept. 06 vs. Sept. 05
52	62	68	30.8	Revenues	145	186	28.3
(41)	(50)	(54)	31.7	Expenses	(117)	(150)	28.2
(6)	(5)	(5)	(16.7)	Depreciation and amortisation	(14)	(14)	_
5	7	9	80.0	Operating profit	14	22	57.1
50	18	225	350.0	New orders awarded	129	301	133.3

The backlog as at 30 September 2006 amounted to 413 million euro of which 57 million are due to be realised in the fourth quarter of 2006.

- Revenues in the third quarter of 2006 amounted to 68 million euro, representing a 31% increase compared to the same period of 2005; revenues in the first nine months of 2006 amounted to 186 million euro, up 28% on the first nine months of 2005; both increases are mainly attributable to increased activity in North Africa and Kazakhstan.
- Operating profit in the third quarter of 2006 amounted to 9 million euro, representing an 80% increase on the third quarter of 2005; operating profit for the first nine months of 2006 amounted to 22 million euro, up 57% compared to the same period of 2005. Operating profit as a percentage of revenues was 13% in the third quarter of 2006 (10% in the same period of 2005) and 12% in the first nine months of 2006 (10% in the same period of 2005). This growth both in absolute terms and in terms of profitability is due to higher margins on rates and increased utilisation of rigs.
- Average utilisation of rigs during the first nine months of 2006 stood at 93.3% (91% in the same period of 2005); rigs were located as follows: 13 in Peru, 9 in Saudi Arabia, 6 in Venezuela, 5 in Algeria, 2 in Italy, 1 in Egypt, 1 in Kazakhstan, 1 in Georgia 1, in Ecuador and 1 in Turkmenistan.
  - In addition, 5 third-party rigs were deployed in Peru and 3 in Kazakhstan by the joint-venture company SaiPar.
  - Finally, 1 rig owned jointly with third parties operated in Kazakhstan.

#### Attachments:

- Reclassified Consolidated Balance Sheet and Reclassified Consolidated Income Statements by nature and destination of costs.

#### RECLASSIFIED CONSOLIDATED BALANCE SHEET

	31 December 2005	30 September 2006 (*)
Net tangible fixed assets	1,903	2,229
Net intangible fixed assets	837	<u>843</u> 3,072
- Offshore	2,740 1,437	1,670
- Onshore	487	586
- Offshore Drilling	729	730
- Onshore Drilling	87	86
Financial investments	40	151
Non-current assets	2,780	3,223
Inventories	490	991
Trade and other receivables	1,506	2,793
Trade and other payables	(2,005)	(3,835)
Provisions for contingencies	(97) 69	(145) 172
Other income (expenses)  Net current assets	(37)	(24)
Employee termination indemnities	(88)	(164)
CAPITAL EMPLOYED	<u>2,655</u>	<u>3,035</u>
Net equity	1,630	(**) 1,395
Minority interest in net equity	13	3
Net debt	1,012	1,637
COVER	<u>2,655</u>	<u>3,035</u>
Leverage (net debt/shareholders' equity)	0.62	1.17
SHARES ISSUED AND OUTSTANDING	441,410,900	441,410,900

<sup>(\*)</sup> includes the effects of the acquisition of Snamprogetti.
(\*\*) includes a decrease of 440 million euro, corresponding to the difference between the price paid for Snamprogetti and its net equity at 31 March 2006.

# RECLASSIFIED CONSOLIDATED INCOME STATEMENTS BY NATURE OF COSTS

Third quarter	Saip stand-		Snamprogetti	Effects of acquisition	Saipem Consolidated
	2005	2006		2006	
Operating revenues	1,081	1,388	775	_	2,163
Other revenues and income	5	3	_	_	3
Purchases, services and other costs	(718)	(931)	(663)	2	(1,592)
Payroll and related costs	(227)	(267)	(85)	1	(351)
GROSS OPERATING PROFIT	141	193	27	3	223
Amortisation, depreciation and write-downs	(52)	(56)	(5)	_	(61)
OPERATING PROFIT	89	137	22	3	162
Financial expenses	(12)	(18)	_	(7)	(25)
Income from investments	4	8	2	_	10
INCOME BEFORE INCOME TAXES	81	127	24	(4)	147
Income taxes	(17)	(35)	(10)	2	(43)
NET PROFIT BEFORE MINORITY INTEREST	64	92	14	(2)	104
Minority interest	(1)	_	_	_	_
NET PROFIT	<u>63</u>	<u>92</u>	<u>14</u>	<u>(2)</u>	<u>104</u>
CASH FLOW (Net profit + Depreciation and amortisation)	<u>115</u>	<u>148</u>	<u>19</u>	<u>(2)</u>	<u>165</u>

# RECLASSIFIED CONSOLIDATED INCOME STATEMENTS BY NATURE OF COSTS

First nine months	Saip stand-		Snamprogetti Q2 & Q3	Effects of acquisition	Saipem Consolidate d
	2005	2006		2006	
Operating revenues	3,200	3,762	1,496	_	5,258
Other revenues and income	8	7	_	_	7
Purchases, services and other costs	(2,211)	(2,554)	(1,270)	3	(3,821)
Payroll and related costs	(608)	(706)	(170)	2	(874)
GROSS OPERATING PROFIT	389	509	56	5	570
Amortisation, depreciation and write-downs	(146)	(153)	(11)	_	(164)
OPERATING PROFIT	243	356	45	5	406
Financial expenses	(38)	(47)	(4)	(14)	(65)
Income from investments	16	25	9	_	34
INCOME BEFORE INCOME TAXES	221	334	50	(9)	375
Income taxes	(47)	(88)	(23)	4	(107)
NET PROFIT BEFORE MINORITY INTEREST	174	246	27	(5)	268
Minority interest	(3)	(2)	_	_	(2)
NET PROFIT	<u>171</u>	<u>244</u>	<u>27</u>	<u>(5)</u>	<u> 266</u>
CASH FLOW (Net profit + Depreciation and amortisation)	<u>317</u>	<u>397</u>	<u>38</u>	<u>(5)</u>	<u>430</u>

### RECLASSIFIED CONSOLIDATED INCOME STATEMENTS BY DESTINATION OF COSTS

Third quarter	Saipo stand-a		Snamprogetti	Effects of acquisition	Saipem Consolidate d	
·	2005	2006		2006		
Operating revenues	1,081	1,388	775	_	2,163	
Production costs	(926)	(1,181)	(722)	3	(1,900)	
Idle costs	(19)	(14)	_	_	(14)	
Selling expenses	(15)	(21)	(11)	_	(32)	
Research and development costs	(2)	(2)	(4)	_	(6)	
Other operating income, net	(1)	(1)	_	_	(1)	
CONTRIBUTION FROM OPERATIONS	118	169	38	3	210	
General and administrative expenses	(29)	(32)	(16)	_	(48)	
OPERATING PROFIT	89	137	22	3	162	
Financial expenses	(12)	(18)	_	(7)	(25)	
Income from investments	4	8	2	_	10	
INCOME BEFORE INCOME TAXES	81	127	24	(4)	147	
Income taxes	(17)	(35)	(10)	2	(43)	
INCOME BEFORE MINORITY INTEREST	64	92	14	(2)	104	
Minority interest	(1)	_	-	_	· _	
NET PROFIT	<u>63</u>	<u>92</u>	<u>14</u>	<u>(2)</u>	<u>104</u>	
CASH FLOW (Net profit + Depreciation and amortisation)	<u>115</u>	<u>148</u>	<u>19</u>	<u>(2)</u>	<u>165</u>	

## RECLASSIFIED CONSOLIDATED INCOME STATEMENTS BY DESTINATION OF COSTS

					(million euro)
First nine months	Saipo stand-a		Snamprogetti Q2 & Q3	Effects of acquisition	Saipem Consolidate d
	2005	2006		2006	
Operating revenues	3,200	3,762	1,496	_	5,258
Production costs	(2,776)	(3,199)	(1,390)	4	(4,585)
Idle costs	(38)	(43)	(2)	_	(45)
Selling expenses	(49)	(60)	(19)	_	(79)
Research and development costs	(5)	(6)	(8)	_	(14)
Other operating income, net	_	(1)	_	_	(1)
CONTRIBUTION FROM OPERATIONS	332	453	77	4	534
General and administrative expenses	(89)	(97)	(32)	1	(128)
OPERATING PROFIT	243	356	45	5	406
Financial expenses	(38)	(47)	(4)	(14)	(65)
Income from investments	16	25	9	_	34
INCOME BEFORE INCOME TAXES	221	334	50	(9)	375
Income taxes	(47)	(88)	(23)	4	(107)
INCOME BEFORE MINORITY INTEREST	174	246	27	(5)	268
Minority interest	(3)	(2)	_	_	(2)
NET PROFIT	<u>171</u>	<u>244</u>	<u>27</u>	<u>(5)</u>	<u>266</u>
CASH FLOW (Net profit + Depreciation and amortisation)	<u>317</u>	<u>397</u>	<u>38</u>	<u>(5)</u>	<u>430</u>

#### **RECLASSIFIED STATEMENT OF CASH FLOW**

					(million euro
Q3 2005	Q2 2006	Q3 2006	_	First nine	months
<b>Q3 2003</b>	QZ 2000	Q3 2000		2005	2006
63	96	104	Group net income	171	266
1	2	_	Third party income	3	2
			Adjustments to reconcile cash generated from		
			operating income before changes in working		
52	55	61	capital:  Depreciation, amortisation and other non monetary  items	146	164
(8)	65	31	Dividends, interests, extraordinary income/expenses and income taxes	46	102
108	218	196	Cash generated from operating income before variation in working capital	366	534
(158)	(3)	(129)	<b>.</b> .	(209)	(335)
36	1	(6)	Dividends, interests, extraordinary income/expenses and income taxes received (paid)	(8)	(20)
(14)	216	61	Net cash flow from operations	149	179
(99)	(133)	(185)	Investments in tangible and intangible fixed assets	(236)	(416)
(1)	_	_	Investments in acquisitions of consolidated companies	(5)	_
_	7	_	Disposals	1	7
(114)	90	(124)	Free cash flow	(91)	(230)
(4)	(36)	_	Buy-back of treasury shares	(22)	(36)
_	(82)	_	Cash flow from share capital and reserves	(65)	(82)
14	(37)	19	Exchange rate differentials and other variation concerning net financial debt	(2)	(*) (277)
(104)	(65)	(105)	Variation in net debt	(180)	(625)
942	1,467	1,532	Net debt at beginning of period	866	1,012
1,046	1,532	1,637	Net debt at end of period	1,046	1,637

<sup>(\*)</sup> includes the effects of the acquisition of Snamprogetti amounting to (296) million euro.